



United States Senator
Richard Shelby
REPORTS TO ALABAMA



The Case For Tax Reform

As April 15th beckons, we are reminded that in 1999 Tax Freedom Day, the day the average American taxpayer could quit working to pay taxes and start working to provide food, clothing and shelter for his/her family, arrived on May 3rd. Of course, working four months out of the year to pay taxes is not enough. Experts have estimated that in order to pay their taxes, individuals and business spend over 5.4 billion hours and more than \$200 billion on federal tax compliance each year. The complexity of the tax code is more than an inconvenience, it is an economic burden on families and businesses alike.

Since 1986, there have been nearly 6,500 changes to the Internal Revenue Code. This has created a convoluted tax code which penalizes those who are not savvy enough or wealthy enough to pay a professional to work out their tax liability. Furthermore, because the tax code is so complex, even experts – including the IRS – are unsure of what is required to be in compliance with the current law. According to Daniel Pilla, a tax litigation consultant, in 1993 the IRS telephone taxpayer assistance program provided about 8.5 million Americans the wrong answers to even the most basic inquiries about the tax laws. If the IRS cannot figure out the code, how can the IRS expect the American people to do so?

A flat tax will eliminate the complexity and correct the vast and pervasive inequities of the current system by dramatically simplifying the tax code. Rather than wade through stacks of complicated IRS forms and instruction manuals, under a flat tax, taxpayers will file a simple postcard size return. This simple form is easily completed in minutes without the use of expensive professional assistance. The flat tax would decrease the cost of compliance to the government, and would save taxpayers time and money.

With a flat tax, all American taxpayers would be taxed on wages, salaries and pensions at

the same rate, 17% when the tax is fully implemented. In place of itemized deductions that often favor special interest groups, each taxpayer would be given a generous standard deduction of \$11,000, or \$22,000 in the case of filing jointly. Taxpayers would receive an additional \$5000 standard deduction for each dependant. Therefore, a family of four would need to make over \$32,000 before they would pay a single penny of taxes.

Taxing everyone at the same rate does not mean that the wealthy will pay the same amount of taxes as lower income Americans. People who make more will still pay more under the flat tax. All that is changed is that every American would be treated equally and taxed at the same rate. Under the current law a person with a taxable income of \$41,199 is taxed at 15%. However, someone who makes just one dollar more is taxed nearly twice as much, 28% to be exact. Under the flat tax such arbitrary taxation would be non-existent.

Because the flat tax eliminates itemized deductions, people who make the same amount of money will be taxed the same amount. As illogical as it may seem, under the current system this is hardly the case. People making the exact same income can incur strikingly different tax liabilities through the use of itemized deductions. Because of the complexity of the code, many taxpayers aren't even aware of deductions they are entitled to unless they seek professional tax advice. I believe that a person's tax liability should not be dependent upon the decision of whether to hire professional assistance.

Under a flat tax this will end. People will not have to hire an accountant or attorney simply to comply with the law. Everyone will fill out the same simple return, everyone will be taxed at the same rate and everyone will pay their fair share.

Enactment of the flat tax would spur economic growth and investment by eliminating

the double taxation of savings and promote jobs and higher wages. Because the flat tax applies a single, low rate to all Americans, I feel it is the best replacement of the current system. Americans should not have to jump through hoops just to keep the money they've earned through hard work. The flat tax does away with government micromanagement of people's personal finances and allows them to spend, save or invest their hard earned money as they see fit.

The flat tax promotes the American family by eliminating both the marriage penalty which unfairly punishes married couples by forcing them to shoulder a greater tax burden than had they remained single, and the death tax, which has a devastating effect on small businesses. Eliminating the marriage penalty would likely create an increase in income for most families that would allow them to finance family vacations, education and retirement. Furthermore, because the death tax forces many Americans to sell businesses that their family spent a lifetime building people would be able to keep the fruits of their parents and grandparents labor, which are often a hallmark of their heritage.

Perhaps the most important virtue of the flat tax is that it supports the basic values of work, savings and individual liberty. It has been a commitment to these principles that has made America the most successful economy in the world.

The time for major tax reform is now. Proposed amendments to the current tax code only perpetuate the complexities and inequalities of the current system. The flat tax would not only simplify the tax code so that all taxpayers could easily complete their own returns, it would more importantly treat all Americans equally. Only by treating every taxpayer equally can our tax code ever achieve true fairness. The Freedom and Fairness Restoration Act will truly improve the lives of all Americans.



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Form 1 SHELBY-ARMEY FLAT TAX FORM 1999	
Your first name and initial	Last name
Your Social Security number	
Present home address	
Spouse's Social Security number	
City, Town or Post Office Box, State and ZIP code	
Your occupation	
Spouse's occupation	
1. Wages, Salary, and Pensions	1
2. Personal Allowance	
a. \$23,200 for married filing jointly	2(a)
b. \$11,600 for single	2(b)
c. \$14,850 for single head of household	2(c)
3. Number of dependents, not including spouse	3
4. Personal allowances for dependents (line 3 multiplied by \$5300)	4
5. Total personal allowances (line 2 plus line 4)	5
6. Taxable wages (line 1 less line 5, if positive, otherwise zero)	6
7. Tax (17 percent of line 6)	7
8. Tax already paid	8
9. Tax due (line 7 less line 8, if positive)	9
10. Refund due (line 8 less line 7, if positive)	10

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